

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Davison Local Development Finance Authority	County Genesee
Audit Date 6/30/05	Opinion Date 7/12/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Plante & Moran, PLLC

Street Address

111 East Court Street, Suite 1A

City

Flint

State

MI

ZIP

48502

Accountant Signature

Reggie Howard

Date

9/22/05

Annual Financial Report
Davison Local Development Finance Authority
Davison, Michigan
Fiscal Year Ended June 30, 2005

**Davison Local Development Finance Authority
Davison, Michigan
Annual Financial Report
For the Fiscal Year Ended June 30, 2005**

Table of Contents

	<u>Page</u>
Introductory Section:	
List of Appointed Officials	1
Financial Section:	
Report on Independent Auditors	2
Management's Discussion and Analysis	3-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	5
Statement of Activities	6
Notes to Basic Financial Statements	7-16
Required Supplementary Information Section:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis) General Fund	 17

Introductory Section

**Davison Local Development Finance Authority
Davison, Michigan
List of Appointed Officials**

David Fulcher
Leroy Cole
John A. Emmendorfer
Fred Rappuhn
Rose Bogardus
Doug Ferrell
Rich Glish
Kelli Sproule
Duane Veit

Chairman
Vice Chairman
Treasurer

The Brownfield Re-development Authority is made up of the above board members holding the same positions.

Independent Auditors' Report

Board of Directors
Davison Local Development Finance Authority
Davison, Michigan

We have audited the financial statements of the governmental activities of Davison Local Development Finance Authority (a component unit of the City of Davison) as of June 30, 2005, and for the year then ended, which collectively comprise the Davison Local Development Finance Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Davison Local Development Finance Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities of the Davison Local Development Finance Authority at June 30, 2005, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 and 4 and the information in the required supplementary information section on page 17 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Davison Local Development Finance Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Plante & Moran, PLLC

Certified Public Accountants

Flint, Michigan

July 12, 2005

Management's Discussion and Analysis

Davison Local Development Finance Authority
Management's Discussion and Analysis
June 30, 2005

As management of Davison Local Development Finance Authority (LDFA), we offer readers of Davison Local Development Finance Authority's financial statements this narrative overview and analysis of the financial activities of the Davison Local Development Finance Authority.

Overview of the Financial Statements

The basic financial statements for the Davison Local Development Finance Authority are comprised of the governmental fund balance sheet/statement of net assets, combined statement of revenues, expenditures, and changes in fund balances-statement of activities and notes to the financial statements.

The statement of net assets presents the information of the governmental fund for both the assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the governmental fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental fund financial statements.

Financial Highlights

The government-wide financial analysis focuses on the Statement of Net Assets and the Statement of Activities. The total assets of the Authority are \$152,596 of which \$147,596 represents cash and cash equivalent. The liabilities are \$6,479, of which \$5,479 represents amounts due to the City of Davison, leaving current net assets of \$146,117.

Net assets increased \$18,197 for the Authority as a result of \$26,159 in program expenses which are offset by general revenues of \$44,356.

Government-wide Financial Analysis
Davison Local Development Finance Authority
Net Assets

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$147,596	\$127,123
Deposit	<u>5,000</u>	<u>5,000</u>
Total assets	<u>152,596</u>	<u>132,123</u>
Accounts payable	1,000	-
Due to other governments	<u>5,479</u>	<u>4,203</u>
Total liabilities	<u>6,479</u>	<u>4,203</u>
Net assets – Unrestricted	<u>\$146,117</u>	<u>\$127,920</u>

Davison Local Development Finance Authority
Change in Net Assets

	<u>2005</u>	<u>2004</u>
Revenues:		
General revenues:		
Tax increment revenues	\$ 40,900	\$ 42,911
Interest	1,354	1,133
Miscellaneous	2,102	-
Total revenues	<u>44,356</u>	<u>44,044</u>
Expenses:		
Development administration	20,468	17,570
Development activities	5,691	1,000
Total expenses	<u>26,159</u>	<u>18,570</u>
Increase in net assets	18,197	25,474
Net assets – beginning of the year	<u>127,920</u>	<u>102,446</u>
Net assets – end of the year	<u><u>\$146,117</u></u>	<u><u>\$127,920</u></u>

Budgetary Highlights

The 2004-2005 budget included \$125,000 for land acquisition. It was later determined that the LDFA was unable to obtain financing to acquire the desired property. The budget also included \$10,000 for street lighting/streetscape. The project was postponed until the next fiscal year.

Basic Financial Statements

Government-wide Financial Statements

Davison Local Development Finance Authority
Statement of Net Assets and
Governmental Fund Balance Sheet
General Fund
June 30, 2005

	General Fund	Adjustments	Statement of Net Assets
<hr/>			
Assets			
Cash	\$ 147,596	\$ -	\$ 147,596
Deposit	5,000	-	5,000
	<hr/>		
Total assets	\$ 152,596	-	152,596
	<hr/>		
Liabilities			
Accounts payable	\$ 1,000	-	1,000
Due to other governments	5,479	-	5,479
	<hr/>		
Total liabilities	6,479	-	6,479
	<hr/>		
Fund Balances/Net Assets			
Fund balances (unreserved):			
Designated for subsequent year expenditures	76,750	(76,750)	-
Undesignated	69,367	(69,367)	-
	<hr/>		
Total fund balances	146,117	(146,117)	-
	<hr/>		
Total liabilities and fund balances	\$ 152,596	-	-
	<hr/>		
Net assets:			
Unrestricted		\$ 146,117	\$ 146,117
	<hr/>		

See notes to financial statements.

Davison Local Development Finance Authority
Statement of Activities and
Governmental Fund Statement of Revenues, Expenditures, and Changes in
Fund Balance
General Fund
Year Ended June 30, 2005

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenses:			
Development administration:			
Community development director	\$ 20,468	\$ -	\$ 20,468
Development activities:			
Professional services	2,885	-	2,885
Property expenses	2,806	-	2,806
Total program expenses	26,159	-	26,159
General revenues:			
Tax increment revenues	40,900	-	40,900
Interest earnings	1,354	-	1,354
Miscellaneous	2,102	-	2,102
Total general revenues	44,356	-	44,356
Increase in fund balance/net assets	18,197	-	18,197
Fund balance/net assets at beginning of year	127,920	-	127,920
Fund balance/net assets at end of year	\$ 146,117	\$ - 0 -	\$ 146,117

See notes to financial statements.

Notes to Basic Financial Statements

Davison Local Development Finance Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies

The accounting policies of the Davison Local Development Finance Authority (LDFA) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Davison Local Development Finance Authority.

Reporting entity

In 1997, the City of Davison elected to take advantage of the full powers granted by Public Act 281 of 1986, as amended and create a local development finance authority to promote economic growth on properties located in the Industrial District.

The Davison Local Development Finance Authority (LDFA) is a component unit of the City of Davison and is located in Genesee County, Michigan. The purpose of the LDFA is to act as a local development finance authority in accordance with Act 281 of the Public Acts of Michigan of 1986, as amended and include, but not limited to, the creation and implementation of development plans in the industrial zones, to increase property values in the industrial zones, and to promote economic growth therein. The power or authority given under Public Act 281 is as follows:

- A. Study and analyze unemployment, underemployment, joblessness, and the impact of growth upon the authority district or districts.
- B. Plan and propose the construction, renovation, repair, remodeling, rehabilitation, restoration, preservation, or reconstruction of a public facility.
- C. Develop long-range plans, in cooperation with the agency which is chiefly responsible for planning in the municipality, to promote the growth of the authority district or districts, and take the steps that are necessary to implement the plans to the fullest extent possible to create jobs and promote economic growth.
- D. Implement any plan of development necessary to achieve the purposes of this act in accordance with the powers of the authority as granted by this act.
- E. Make and enter into contracts necessary or incidental to the exercise of the board's powers and the performance of its duties.
- F. Acquire by purchase or otherwise on terms and conditions and in a manner the authority considers proper, own or lease as lessor or lessee, convey, demolish, relocate, rehabilitate, or otherwise dispose of real or personal property, or rights or interests in the property, which the authority determines is reasonably necessary to achieve the purposes of this act, and to grant or acquire licenses, easements, and options with respect to the property.
- G. Improve land, prepare sites for buildings, including the demolition of existing structures, and construct, reconstruct, rehabilitate, restore and preserve, equip, improve, maintain, repair, or operate a building, and any necessary or desirable appurtenances to a building, as provided in section 12(2) for the use, in whole or in part, of a public or private person or corporation, or a combination thereof.
- H. Fix, charge, and collect fees, rents, and charges for the use of a building or property or a part of a building or property under the board's control, or a facility in the building or on the property, and pledge the fees, rents, and charges for the payment of revenue bonds issued by the authority.

Davison Local Development Finance Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies – (continued)

Reporting entity – (continued)

- I. Lease a building or property or part of a building or property under the board's control.
- J. Accept grants and donations of property, labor, or other things of value from a public or private source.
- K. Acquire and construct public facilities.

The duration of the Brownfield Plan shall be thirty (30) years. As of June 30, 2005, there has been no activity for BRA.

- L. Incur costs in connection with the performance of the board's authorized functions including, but not limited to, administrative costs, and architects, engineers, legal, and accounting fees.
- M. Plan, propose, and implement an improvement to a public facility on eligible property to comply with the barrier free design requirements of the state construction code promulgated under the state construction code Act of 1972, Act No. 230 of Public Acts of 1972, being sections 125.1501 to 125.1531 of the Michigan Compiled laws.

The accounting policies of the LDFA conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

A. Principles used in determining the scope of the entity for financial reporting activities

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the LDFA. The LDFA is considered a "component unit" of the City of Davison's (City) governmental operation. As a result, industry standards require the City to include the financial activities of the LDFA in the City's Annual Financial Statements. The financial statement of the City of Davison is available for public inspection at city hall.

On April 20, 1998, the City Council of the City of Davison, Michigan adopted a resolution to create the City of Davison Brownfield Redevelopment Authority (BRA) and to designate the Brownfield Zone within which the BRA will exercise its powers. The Brownfield Zone to which this Brownfield Plan (the "Plan") applies, consists of the properties within the boundaries of the City of Davison, Michigan. The LDFA has agreed to supervise and control the Brownfield Redevelopment Authority (BRA).

The purpose of the Brownfield Plan, to be implemented by the BRA, is to satisfy the requirements for a Brownfield Plan as specified in Section 13 of Act No. 381 of the Public Acts of 1996. MCLA 125.2651 et. seq., which is known as the "Brownfield Redevelopment Financing Act".

The BRA has initially identified the following parcels of real estate which require, or which may require, undertaking certain eligible response activities to facilitate redevelopment under this Plan:

- 1. The Former Independent Oil Company Site, a "facility" located within the boundaries of the Downtown Development Authority, containing one or more underground storage tank(s) and contaminated soils and groundwater, requiring Phase II and baseline environment assessments, due care, and additional response activities prior to being redeveloped as part of the Downtown Revitalization Plan.

Davison Local Development Finance Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies – (continued)

A. Principles used in determining the scope of the entity for financial reporting activities - (continued)

2. The Former Davison Oil & Gas Site, a "facility" located within the boundaries of the Downtown Development Authority, consists of two contiguous parcels and a portion of a City street that will be eventually closed as part of the redevelopment. The property contains one or more underground storage tank(s) and contaminated soils and groundwater, and requires demolition of dilapidated building(s), Phase II and baseline environmental assessments, due care and additional response activities, and infrastructure improvements prior to being redeveloped as part of the Downtown Revitalization Plan.

The duration of the Brownfield Plan shall be thirty (30) years. As of June 30, 2005, there has been no activity for BRA.

B. Government-wide and fund financial statements

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the LDFA.

Davison Local Development Finance Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

The LDFA reports the following governmental fund:

The General Fund is the LDFA's primary operating fund. It accounts for all financial resources of the LDFA.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

The LDFA's cash includes cash on hand and demand deposits.

2. Capital assets

Capital assets are only reported in the government-wide statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed donated capital assets are recorded at estimated fair market value at date of donation. The costs of normal maintenance and repairs that do not add value or materially extend asset lives are not capitalized. The Authority had no capital assets at June 30, 2005.

3. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

4. Property tax

Property taxes are levied each July 1 on the taxable value determined as of December 31 of the preceding year for all taxable real and personal property located in the Local Development Finance Authority District including a Tax Increment Financing Area. On July 1, the property tax attachment is an enforceable lien on the property. Assessed values are established by the City Assessor at 50% of estimated market value. The LDFA's tax revenue within the Tax Increment Financing Area is the sum of all taxes levied on the increase in taxable value since designation as a Tax Increment Financing Area. Taxes are billed and collected by the City of Davison and are due by February 28 following the levy date. LDFA property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are measurable and available.

Davison Local Development Finance Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

II. Stewardship, compliance, and accountability

A. Budgetary information

The LDFA follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the budget committee submits to the board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the General Fund.
2. Prior to June 30, the budget is legally enacted on a functional basis for the General Fund. The Davison City Council must also approve the budget.
3. Formal budgetary integration is employed as a management control device during the year. Also, the budget is adopted on a basis consistent with generally accepted accounting principles.
4. Budget appropriations lapse at year end.
5. The original budget was not required to be amended during the year. The budget to actual expenditures in the financial statements, represent the final budgeted expenditures.

B. Excess of expenditures over appropriations

The LDFA incurred expenditures in excess of appropriations as detailed below:

	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over Final Budget</u>
Development activities:			
Professional services	\$ 1,000	\$ 2,885	\$ 1,885
Property expenses	-	2,806	2,806

III. Detailed notes on all funds

Deposits

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The LDFA has designated three banks for the deposit of it's funds; JP Morgan Chase, Davison State Bank, and Citizens Bank. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all items noted in the State statute. The LDFA's deposits and investment policies are in accordance with statutory authority.

Davison Local Development Finance Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

III. Detailed notes on all funds - (continued)

Deposits - (continued)

The LDFA's cash is subject to one type of risk, which is examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the LDFA had \$47,596 of bank deposits (checking account) that was uninsured and uncollateralized. The LDFA believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the LDFA evaluates each financial institution it deposits fund with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

IV. Property taxes

In 1997, the Davison Local Development Finance Authority entered into tax incremental financing agreements with the City of Davison, Genesee County, Genesee Intermediate Schools, and Davison Community Schools. The LDFA's tax incremental revenue is calculated by multiplying the millage (of all entities involved) times the Captured Taxable Value (the difference between current taxable value and the initial taxable value). The initial taxable values were established in 1997 (\$2,753,325).

During 1994, Proposal A was passed by Michigan taxpayers limiting the school millage rates. The law also eliminated the school millage from the calculation of the mills to be used to compute the taxes on the increase in taxable value within the Tax Increment Financing Area that can be captured and passed through to the LDFA. There are three exceptions to this portion of the law under which the school millage could be continued as part of the captured assessment calculation: 1) the LDFA has a legal debt obligation; 2) the LDFA has an eligible advance payable; 3) or the LDFA has specific project commitments.

The captured taxable value in excess of the initial taxable values for June 30, 2005 is \$2,073,423.

The LDFA is using the tax increment revenues to improve the plan area and has created 21 jobs as a result of the implementation of the tax increment financing plan.

V. Commitments

On November 17, 2003, the LDFA entered into a purchase agreement for property located at 210 Rising Street. A deposit of \$5,000 was made for the total purchase price of \$110,000. The closing had not occurred by the opinion date of the financial statements due to issues with the title to the property.

During the current year, the City of Davison purchased property within the LDFA's boundaries through an installment purchase agreement. The installment agreement requires yearly interest payments with the principal due October 19, 2019. The LDFA has verbally agreed to contribute the annual interest payments to the City of Davison for up to fifteen years.

Davison Local Development Finance Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

V. Commitments – (continued)

The following is the estimated interest:

2005	\$ 6,175
2006	8,196
2007	8,196
2008	8,196
2009	8,196
2010-2014	40,980
2015-2019	40,980
	<u>\$120,919</u>

VI. LDFA proposed improvement projects

The location, extent, and character of the proposed improvements noted in the LDFA's plan are identified below. It is estimated that the projects will be completed by the year 2017.

Future minimum payments required under the plan to complete each project are as follows:

<u>Short-term projects (current – 2007)</u>	<u>Estimated Cost</u>
Signage – to better promote industrial properties, corporate identification and directional signage will be situated at appropriate locations on M-15 and on West Rising Street	\$ 25,000
Overhead street lighting	35,000
Sidewalks – to promote pedestrian safety, sidewalks may be developed throughout the Development District with high priority given to both Dayton Street and West Rising Street	*Variable
<u>Long-term projects (2008 – 2017)</u>	
Landscaping	*Variable
Speculative building program	250,000
Parking – improved parking to better serve industrial facilities is considered a long-term priority. Expansion of existing facilities will require special attention to increased parking needs. Possible new ingress and egress on permanent easement to allow public financial participation is a potential solution to the problem.	*Variable

Davison Local Development Finance Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

VI. LDFA proposed improvement projects – (continued)

<u>On-going projects (current – 2017)</u>	<u>Estimated Cost</u>
Land acquisition	400,000
Infrastructure improvements – extending the water and sewer lines and East Rising Road as a way to attract new industrial investment to the possible expansion area.	240,000
Administration – these funds will be allocated to operating expenses such as: a full/part-time administrator, supplies, materials, postage, newspaper publications, etc.	50,000
Professional services – these services will include, but not be limited to; legal, financial/auditing, marketing, advertising, grant assistance, planning, and design related services.	90,000
Contingencies – set at approximately 10 percent of total anticipated expenditures to cover project cost overruns and other unforeseen expenses.	<u>121,000</u>
Total	<u>\$1,211,000</u>

VII. Description of Brownfield costs to be paid for with tax increment revenues and summary of eligible activities

Brownfield costs to be paid by the LDFA with tax increment revenues include, but are not limited to, the following:

- Phase I and II environment assessments
- Baseline environmental assessments
- Soil and groundwater investigations
- Underground storage tank removals
- Soil and/or groundwater remediation
- Building demolitions
- Due care activities (required by MDEQ)
- Associated infrastructure repairs associated with response activities
- Administration costs (work plans, MDEQ approvals, Authority administrative/operating expenses)

Costs for preliminary eligible activities that may be paid with tax increment revenues, associated with the projects approved by the LDFA and Davison City Council, are described below. Delineation of additional eligible activities to be conducted as part of a development agreement between the LDFA and the developer or owner of the eligible properties is deferred until certain baseline assessments and investigations are completed under this Plan.

Davison Local Development Finance Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

VII. Description of Brownfield costs to be paid for with tax increment revenues and summary of eligible activities – (continued)

Former Independent Oil Company Site

<u>Activity</u>	<u>Cost</u>
Groundwater investigation	\$ 19,000
Remedial action plan	3,000
Baseline environmental assessment	4,500
Soil contamination abatement ⁽¹⁾	25,000
UST removal	9,000
Groundwater contamination abatement ⁽²⁾	-
Infrastructure repairs	7,000
Administration	6,800
Interest ⁽³⁾	<u>56,551</u>
Total	<u>\$130,851</u>

(1) Cost based on engineering controls; may be revised based on MDEQ review of RAP.

(2) Extent of groundwater contamination unknown at this time; abatement costs will be determined following investigation.

(3) Interest calculated based on 6% for 21 years.

Former Davison Oil & Gas Site

<u>Activity</u>	<u>Cost</u>
Soil and groundwater investigation	\$ 55,000
Remedial action plan	5,500
Baseline environmental assessment	5,000
Soil contamination abatement ⁽¹⁾	60,000
Groundwater contamination abatement ⁽²⁾	-
Building demolition	25,000
UST removal	15,000
Infrastructure repairs	40,000
Administration	20,550
Interest ⁽³⁾	<u>353,768</u>
Total	<u>\$579,818</u>

(1) Extent of soil contamination uncertain at this time; cost estimate based on best case scenario.

(2) Presence and extent of groundwater contamination unknown at this time; abatement costs cannot be estimated at this time.

(3) Interest calculated based on annual payments through available tax increments captured.

Davison Local Development Finance Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

VIII. Contacting the LDFA's Financial Administration

The financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the LDFA's finances and to demonstrate the LDFA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Davison, 200 East Flint Street, Davison, Michigan 48523.

Required Supplementary Information Section

Davison Local Development Finance Authority
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2005

	Budget			Over (Under) Budget
	Original	Final	Actual	
Revenues:				
Tax increment revenues	\$ 43,000	\$ 43,000	\$ 40,900	\$ (2,100)
Interest	450	450	1,354	904
Miscellaneous	-	-	2,102	2,102
Total revenues	43,450	43,450	44,356	906
Expenditures:				
Current:				
Development administration:				
Community development director	20,468	20,468	20,468	-
Development activities:				
Professional services	1,000	1,000	2,885	1,885
Street lighting/streetscape	-	10,000	-	(10,000)
Properties expenses	-	-	2,806	2,806
Land acquisition	125,000	125,000	-	(125,000)
Total development activities	126,000	136,000	5,691	(130,309)
Total expenditures	146,468	156,468	26,159	(130,309)
Excess (deficiency) of revenues over expenditures	(103,018)	(113,018)	18,197	131,215
Fund balance at beginning of year	127,920	127,920	127,920	-
Fund balance at end of year	\$ 24,902	\$ 14,902	\$ 146,117	\$ 131,215

See notes to financial statements.